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Report Highlights: China suspended imports of US live cattle and bovine products on December 25, 2003, after news of the single BSE case in the United States. The news has not impacted China's beef consumption levels, a country that produces 99.5 percent of its beef supply. China's calf crop during 2004 is forecast at 48.8 million head, an increase of two percent from last year. Dairy cow numbers in 2004 are estimated to be 30 percent above the previous year as the result of strong consumer demand for dairy products. China's swine production this year is forecast at 44.9 million head, a slight increase from last year, while pork imports will reach 153,000 MT in 2004, a three percent increase.

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Beef

Summary

China suspended imports of live cattle and bovine products from the United States on December 25, 2003, due to a single case of BSE (Mad Cow Disease) in Washington State. The official import suspension impacts annual US exports to China totaling \$10 million for beef and \$30 million for offals. China also suspended, unofficially, imports of US non-bovine products such as poultry product-containing pet foods, porcine solubles and poultry meals, in addition to OIE guideline-based "non-risk" bovine products such as protein-free tallow, semen and embryos.

APHIS and FAS China continue to request that the Chinese Government clarify its BSE regulatory actions and adhere to international standards set forth by OIE guidelines.

China's overall beef imports in 2004 are forecast to remain the same as last year, despite BSE cases in both Canada and the US in 2003, because China is expected to shift import sources to Australia, New Zealand and Brazil. Higher international beef prices and restrictive quarantine inspections in China may restrict growth of the country's imports during the year.

During December 2003, FSIS and FAS successfully negotiated a revision of the Export Health Certificate (FSIS 9535-I) with Chinese quarantine authorities, AQSIQ, for meat exports to China. From March 1, 2004, China will no longer accept any previous versions of the certificate. The new certificate was implemented to reduce the use of false certificates.

Production

Dairy cattle production continues strong growth in 2004, driven by strong consumer demand for dairy products

As a result of the Ministry of Agriculture (MOA) increasing China's total cattle inventories (January to September 2003) by 1.5 percent, post increased our forecast of cattle numbers for 2004 by 1.7 percent to 181 million head. Dairy cows numbers are forecast at 9 million head, an increase of 30 percent over 2003, while beef cow numbers are forecast at 59.4 million head, up about one percent. Strong demand for dairy products continues to drive production in China's dairy industry.

According to MOA, 14.5 million small family farms raise beef cattle in China, accounting for 83 percent of total cattle output with annual slaughter of less than 50 head. The top three cattle producing provinces are Henan (6.1 million head slaughter), Sichuan (1.3 million) and Hebei (1 million). Only about 900 farms in China are considered large-sized with annual slaughter of 500-999 head, accounting for 1.6 percent of total production, mainly located in the Northeast or Hebei.

Beef's share of China's total meat consumption in 2004 continues to rise

China's beef production is estimated to reach 6.6 MMT (million MT) in 2004, an increase of 6.4 percent from 2003 based on MOA's recent forecasts for last year. China is expected to slaughter 47.2 million beef and dairy cattle, up 5 percent. The beef share of China's total meat production rose to 9 percent in 2003, while pork's share remained stable.

China's annual GDP is expected to grow at 8 percent annually in the next couple of years. As a result, meat demand is forecast to continue rising during 2004 and beyond. More disposable income will lead to a more diverse diet and alternatives to eating pork, particularly since beef is considered a healthier food in China.

The Chinese Government continues to focus policy efforts on the livestock structural adjustment to stabilize grain-fed animal size and faster grass-fed animal size. Based on post's visits to beef production areas, farmers in traditional grain areas are permitted to convert 20 percent of farmland, while farmers in suburbs are allowed to convert 30 percent of farmland to feed grain or forage grass.

Feed and beef prices rise in 2003 "post-SARS", while in 2004 the pace will slow

As a result of the "post-SARS" recovery in beef consumption in China, demand for beef and grain was strong. As a result, beef prices remained higher through the later half of 2003. The average increase in beef prices was 8 percent. Although feed prices increased rapidly due to higher grain prices, the beef price increases were above that of feed. Fattened beef cattle can bring about RMB 500 (\$60.00) profit for cattle farmers. The forecast for 2004 is a slowing of price increases for feed and beef. The outbreak of avian influenza in China, depending on the number of culled birds, will likely impact overall feed prices during the spring.

The detection of BSE cases in both Canada and the United States is not forecast to impact China's beef consumption levels. China's overall beef self-sufficiency is about 99.5 percent. China's ban on US beef, implemented last December, will only impact beef sales at high-end hotels and restaurants where the overall volume is still quite limited.

Trade

Following US BSE News, China suspends imports of US live cattle and products on December 25, 2003

Because China is expected to shift imported beef sources to Australia, New Zealand and Brazil, post forecasts China's beef imports will reach 29,000 MT in 2004, about the same as last year. China's imports of dairy cattle are forecast to rise to 50,000 head, an increase of 25 percent. China will also shift live cattle imports to Australia and New Zealand.

China officially suspended imports of all US beef and beef products last December 25, including meat, semen and embryos and meat and bone meal. An unofficial ban appears to also be in place for non-bovine products such as pet foods and porcine solubles. China excluded from its import suspension dairy products, hides/skins and bovine gelatin for photo use.

Despite efforts by FAS China to convince Chinese authorities that US beef that had already cleared Customs and entered China should be excluded from any regulatory actions, China also suspended quarantine clearances of all "pipeline" US beef products. These are shipments, already certified by FSIS, which arrived at a port without Customs clearance or are on the water en route to China. China's actions also impacted containers of US beef at Hong Kong ports originally destined for Mainland China. As a result, traders report that US beef supplies continue to accumulate at Hong Kong warehouses and ports.

Length of China's import suspension uncertain—US-China technical exchanges remain vital

It is uncertain how long China's US beef and product import suspension will remain in place. As evidence, China has not yet lifted its import ban on any BSE countries including the EU, Japan and Canada. The US Government continues to work with Chinese authorities, providing information about the USDA BSE investigation, new BSE-prevention measures and efforts to re-open international markets including China.

PSD Cattle

PSD Table**Country****China, Peoples Republic of****Commodity****Animal Numbers, Cattle**(1000
HEAD)

	2002	Revised	2003	Estimate	2004	Forecast
	USDA	Post	USDA	Post	USDA	Post
	Official	Estimate	Official	Estimate	Official	Estimate
	[Old]	[New]	[Old]	[New]	[Old]	[New]
Market Year Begin		01/2002		01/2003		01/2004
Total Cattle Beg. Stks	128242	128242	130848	130848	133023	133023
Dairy Cows Beg. Stks	5662	5662	6870	6873	8300	9003
Beef Cows Beg. Stocks	58258	58258	57193	58846	56000	59428
Production (Calf Crop)	47164	47164	48000	48000	48860	48860
Intra EC Imports	0	0	0	0	0	0
Total Imports	11	11	25	40	30	50
TOTAL Imports	11	11	25	40	30	50
TOTAL SUPPLY	175417	175417	178873	178888	181913	181933
Intra EC Exports	0	0	0	0	0	0
Total Exports	58	58	50	51	48	48
TOTAL Exports	58	58	50	51	48	48
Cow Slaughter	0	0	0	0	0	0
Calf Slaughter	0	0	0	0	0	0
Other Slaughter	44011	44011	45000	45014	45900	47264
Total Slaughter	44011	44011	45000	45014	45900	47264
Loss	500	500	800	800	800	400
Ending Inventories	130848	130848	133023	133023	135165	134221
TOTAL DISTRIBUTION	175417	175417	178873	178888	181913	181933
Calendar Yr. Imp. from U.S.	0	0	2	2	4	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PSD Beef

PSD Table**Country****China, Peoples Republic of
Meat, Beef and Veal**(1000 MT
CWE)(1000 HEAD)**Commodity**

	2002 USDA Official [Old]	Revised Post Estimate [New] 01/2002	2003 USDA Official [Old]	Estimate Post Estimate [New] 01/2003	2004 USDA Official [Old]	Forecast Post Estimate [New] 01/2004
Market Year Begin						
Slaughter (Reference)	44011	44011	45000	45000	45900	45900
Beginning Stocks	0	0	0	0	0	0
Production	5846	5846	6020	6200	6260	6600
Intra EC Imports	0	0	0	0	0	0
Total Imports	28	26	27	29	30	29
TOTAL Imports	28	26	27	29	30	29
TOTAL SUPPLY	5874	5872	6047	6229	6290	6629
Intra EC Exports	0	0	0	0	0	0
Total Exports	44	45	40	43	38	45
TOTAL Exports	44	45	40	43	38	45
Human Dom. Consumption	5830	5827	6007	6186	6252	6584
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	5830	5827	6007	6186	6252	6584
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	5874	5872	6047	6229	6290	6629
Calendar Yr. Imp. from U.S.	18	18	19	23	21	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Beef Tariffs

Tariffs on Cattle and Beef, Effective January 1, 2004

		General	MFN	V.A.T. 1/	Effective Rate (mfn+vat)
Cattle, Breeding	0102.1000	0%	0%	13%	13.0%
Cattle, Other	0102.9000	30%	10%	13%	24.3%
Beef, Fresh or chilled					
Carcass & half-carcass	0201.1000	70%	20%	13%	35.6%
Other cuts with bones	0201.2000	70%	12.0%	13%	26.6%
Other cuts, boneless	0201.3000	70%	12.0%	13%	26.6%
Beef, Frozen					
Carcass & half-carcass	0202.1000	70%	25%	13%	41.3%
Other cuts with bones	0202.2000	70%	12.0%	13%	26.6%
Other cuts, boneless	0202.3000	70%	12.0%	13%	26.6%

Source: China Customs

Tariffs on Beef, Offal Effective January 1, 2004

		General	MFN	V.A.T.	Effective Rate (mfn+vat)
Beef Offal	0206.1000	70%	12.0%	13%	26.6%
	0206.2100	70%	12.0%	13%	26.6%
	0206.2200	70%	12.0%	13%	26.6%
	0206.2900	70%	20.0%	13%	35.6%

Source: China Customs

Pork

Summary

China, the world's largest swine producer, is forecast to produce 44.9 MMT of pork in 2004, an increase of 3 percent from last year. Post adjusted upwards the PSD table's pork production numbers for 2003 and 2004 based on MOA's recent statistics for 2003. China's expanding economy and disposable consumer income continues to benefit livestock producers.

During 2003, China's swine and pork production rapidly recovered from the SARS outbreak impact on consumption because both were only affected for about two months. By the time the SARS situation stabilized in June 2003, pork consumption and production rapidly recovered to normal levels. As a result, the year's total production level steadily increased. Although pork prices fell during the first half of 2003, lower feed prices helped compensate farmers. Additionally, China's larger-scale swine farmers, i.e., those slaughtering over 50 head per year, are increasing in number.

China's pork imports in 2004 are forecast to increase by 3 percent to 153,000 MT due to continued growth in consumer demand for meat products. China's pork exports are estimated to increase 30 percent up to 367,000 MT. Although China's exports to Russia have decreased due to Russia's import quota restriction, increased exports to other Asian countries have filled up the gap.

Post revised upwards China's pork import numbers for 2002 to 2004 based on China Customs data provided to the World Trade Atlas.

Production

China, world's largest swine producer, forecast to slaughter 580 million head in 2004, a slight increase from last year

China is forecast to slaughter 580 million swine in 2004 due to strong pork prices and the continued expansion of China's economy and disposable income. Pork price increases will likely slow down after March 2004 in part due to lower feed prices resulting from lackluster feed demand from the Chinese poultry industry now facing an outbreak of Avian Influenza.

According to MOA, China has about 99 million small family farms raising over 300 million pigs with an annual slaughter rate of less than 10 head (59 percent of the total slaughtered). The top three swine producing provinces in China are Sichuan, Henan and Hunan, all located in traditional grain production areas. Swine farmers may also raise cattle, pigs and poultry. Large-sized farms, typically located along the coastal areas of Guangdong, Zhejiang and Fujian, represent only 5 percent of China's total slaughter. These farms have between 3,000 and 10,000 head. Swine production, like cattle and poultry, is highly dispersed throughout the country. This production dispersion complicates China's efforts to implement a complete and effective veterinary system.

During 2004 the growth of China's per capita pork consumption will continue to lag behind the growth of beef.

Trade

Though China is 99.7 percent self-sufficient in pork, imports forecast to continue increasing in 2004 with US pork leading the pack

Post revised upwards our PSD table's pork imports for 2002-2004 based on China Customs' data provided to the World Trade Atlas. According to trade contacts, China's reported world import figures are more accurate than the individual country numbers. China Customs no longer breaks-out China's imports from Hong Kong.

China's imports of pork are forecast at 153,000 MT during 2004, about three percent above last year. US pork exports to China account for over 50 percent of both pork and offal trade to Mainland China, and the US share of China's pork imports via Hong Kong is even greater. Denmark is the other major pork supplier to China. Canada supplies China some pork as well.

USDA and Chinese Authorities continue technical talks regarding China's import quarantine measures

In December 2003, USDA and Chinese meat safety officials held technical talks in Beijing to discuss China's increasingly stringent application of pathogen standards on raw meat products. The meeting focused on understanding each other's food safety laws and regulations, regulatory procedures, standards, tests, monitoring system and enforcement methods.

PSD Swine

PSD Table**Country****China, Peoples Republic of****Commodity****Animal Numbers, Swine**(1000
HEAD)

	2002 USDA Official [Old]	Revised Post Estimate [New] 01/2002	2003 USDA Official [Old]	Estimate Post Estimate [New] 01/2003	2004 USDA Official [Old]	Forecast Post Estimate [New] 01/2004
Market Year Begin						
TOTAL Beginning Stocks	457430	457430	462917	462915	467902	467327
Sow Beginning Stocks	37250	37250	37800	37800	38367	38367
Production (Pig Crop)	575212	575212	575300	575300	580000	580000
Intra EC Imports	0	0	0	0	0	0
Total Imports	3	1	1	2	1	2
TOTAL Imports	3	1	1	2	1	2
TOTAL SUPPLY	1032645	1032643	1038218	1038217	1047903	1047329
Intra EC Exports	0	0	0	0	0	0
Total Exports	1888	1888	1850	1887	1800	1886
TOTAL Exports	1888	1888	1850	1887	1800	1886
Sow Slaughter	0	0	0	0	0	0
OTHER SLAUGHTER	566840	566840	567466	568003	574693	574033
Total Slaughter	566840	566840	567466	568003	574693	574033
Loss	1000	1000	1000	1000	1000	1000
Ending Inventories	462917	462915	467902	467327	470410	470410
TOTAL DISTRIBUTION	1032645	1032643	1038218	1038217	1047903	1047329
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PSD Pork

PSD Table**Country****China, Peoples Republic of
Meat, Swine****Commodity**(1000 MT
CWE)(1000 HEAD)

	2002	Revised	2003	Estimate	2004	Forecast
	USDA	Post	USDA	Post	USDA	Post
	Official	Estimate	Official	Estimate	Official	Estimate
	[Old]	[New]	[Old]	[New]	[Old]	[New]
Market Year Begin		01/2002		01/2003		01/2004
Slaughter (Reference)	566840	566840	567466	568003	574693	574033
Beginning Stocks	0	0	0	0	0	0
Production	43266	43266	44100	44600	44938	45938
Intra EC Imports	0	0	0	0	0	0
Total Imports	60	145	56	149	70	153
TOTAL Imports	60	145	56	149	70	153
TOTAL SUPPLY	43326	43411	44156	44749	45008	46091
Intra EC Exports	0	0	0	0	0	0
Total Exports	225	215	300	283	300	367
TOTAL Exports	225	215	300	283	300	367
Human Dom. Consumption	43101	43196	43856	44466	44708	45724
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	43101	43196	43856	44466	44708	45724
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	43326	43411	44156	44749	45008	46091
Calendar Yr. Imp. from U.S.	9	108	27	78	35	81
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Pork Import and Export Tables

World Trade Atlas
Product Group
China, Fresh, Chilled and Frozen Pork
Quantity
January - December

Imports				% Change	
Rank	Country	- KG - 2001	- KG - 2002	- KG - 2003	03/02
0--World--		94,249,775	144,904,773	149,055,576	2.86
1	United States	39,558,456	108,214,261	77,638,979	-28.25
2	Denmark	17,706,792	1,443,695	37,501,998	2497.64
3	Canada	22,207,286	35,001,901	33,896,830	-3.16

Source of Data: China Customs

World Trade Atlas
Product Group
China, Fresh, Chilled and Frozen Pork
Quantity
January - December

Exports				% Change	
Rank	Country	- KG - 2001	- KG - 2002	- KG - 2003	03/02
0--World--		103,209,393	161,946,660	213,617,005	31.91
1	Hong Kong	51,066,577	60,654,043	75,449,881	24.39
2	Russia	26,480,817	75,586,853	70,909,385	-6.19
3	Korea, North	5,075,590	9,010,106	46,883,127	420.34
4	Singapore	11,276,461	8,728,617	8,279,253	-5.15
5	Macau	2,097,543	2,481,451	3,282,833	32.29
6	Moldova	63,500	-	2,450,500	0
7	Albania	1,479,545	1,832,000	2,266,058	23.69
8	Korea, South	-	25,005	985,000	3839.21

Source of Data: China Customs

World Trade Atlas
Product Group
China, Processed Pork
Quantity
January - December

Exports				% Change	
Rank	Country	- KG - 2001	- KG - 2002	- KG - 2003	03/02
0--World--		3,057,988	3,715,775	3,534,730	-4.87
1	Hong Kong	2,591,757	3,162,686	2,861,967	-9.51
2	Japan	109,828	172,600	219,989	27.46
3	Singapore	176,390	138,131	145,700	5.48
4	Myanmar	5,125	78,266	126,140	61.17
5	Macau	93,935	97,153	89,549	-7.83
6	Malaysia	49,500	52,499	72,256	37.63

Source of Data: China Customs

Pork Tariffs

Tariffs on Pork Offal Effective January 1, 2004

		General	MFN	V.A.T.	Effective Rate (mfn+vat)
Pork Offal	0206.300	70%	20.0%	13%	35.6%
	0				
	0206.410	70%	20.0%	13%	35.6%
	0				
	0206.490	70%	12.0%	13%	26.6%
	0				

Source: China Customs

Tariffs on Hogs and Pork, Effective
January 1, 2004

		General	MFN	V.A.T.	Effective Rate (mfn+vat)
Swine, Breeding	0103.1000	0%	0%	13%	13.0%
Swine, Other	0103.9110	50%	10%	13%	24.3%
	0103.9120				
	0103.9200				
Pork, Fresh or Chilled					
Sucking pig	0203.1110	70%	20%	13%	35.6%
Other	0203.1190				
Hams, shoulders and cuts thereof, with bones	0203.1200				
Other	0203.1900				
Pork, Frozen					
Sucking pig	0203.2110	70%	12.0%	13%	26.6%
Other	0203.2190				
Hams, shoulders and cuts thereof, with bones	0203.2200				
	0203.2900				

Source: China Customs